

BERRIEN COUNTY PUBLIC TRANSPORTATION

MDOT - SMALL BUS PROGRAM

FINANCIAL STATEMENTS

September 30, 2008

BERRIEN COUNTY PUBLIC TRANSPORTATION

MDOT - SMALL BUS PROGRAM

CONTENTS

| | <u>Page</u> |
|---|-------------|
| MANAGEMENT'S DISCUSSION AND ANALYSIS | I-III |
| INDEPENDENT AUDITOR'S REPORT | 1 |
| STATEMENT OF NET ASSETS | 2 |
| STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS | 3 |
| STATEMENT OF CASH FLOWS | 4 |
| NOTES TO FINANCIAL STATEMENTS..... | 5-9 |
| SUPPLEMENTARY INFORMATION: | |
| Schedule of Operating Expenses | 10 |
| Net Eligible Costs Computations of General Operations..... | 11 |
| ADDITIONAL INFORMATION (Unaudited) | |
| Statement of Local Revenues..... | 12 |
| Expenditures of Federal and State Awards | 13 |
| Operating and Contract Expenses..... | 14 |
| Nonurban Regular Service Revenue Report | 15 |
| Nonurban Regular Service Expense Report..... | 16 |
| Schedule of Mileage Data..... | 17 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 18-19 |

BERRIEN COUNTY PUBLIC TRANSPORTATION

Management Discussion & Analysis

Description of Basic Financial Statements

Berrien County Public Transportation (the "BCPT") is a public transportation system located in Berrien County, Michigan. The County uses the accrual basis of accounting. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be a discussion and analysis of the financial results for the fiscal year ending September 30, 2008. BCPT's basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and statement of cash flows. The basic financial statements also include notes that explain the information recorded in the basic financial statements.

Financial Highlights

BCPT's total expenses were \$1,353,601 while total revenues and adjustments were \$1,194,974 (\$467,795 operating revenue; \$709,179 non-operating revenue; \$18,000 adjustments). BCPT's total revenues and adjustments were insufficient to cover expenses for the year. The shortfall will be covered using BCPT's fund balance from prior years.

BCPT's total net assets at September 30, 2008 were \$539,521 of which \$27,841 was invested in fixed assets (land improvements and office equipment).

BCPT received \$439,228 in state operating assistance. This was less than the 36.1508% of eligible expenses by \$28,498. This has been recorded as a current year receivable. The Authority received \$147,191 in Section 5311 federal operating assistance. This was below the below the 16.00% of eligible expenses by \$52,809. This has been recorded as a current year receivable.

Condensed Financial Information

The following condensed financial information provides an overview of BCPT's financial position for the fiscal year ending September 30, 2008 and 2007.

| | <u>September 30, 2008</u> | <u>September 30, 2007</u> |
|--------------------------------|----------------------------------|----------------------------------|
| Assets: | | |
| Fixed assets | \$ 27,841 | \$ 27,195 |
| Other assets | <u>759,371</u> | <u>833,381</u> |
| Total assets | <u><u>\$787,212</u></u> | <u><u>\$860,576</u></u> |
| Liabilities: | | |
| Current liabilities | <u>\$247,691</u> | <u>\$248,914</u> |
| Total liabilities | <u><u>\$247,691</u></u> | <u><u>\$248,914</u></u> |
| Net Assets: | | |
| Invested in fixed assets, | | |
| net of related debt | \$ 27,841 | \$ 27,195 |
| Unrestricted net assets | <u>584,467</u> | <u>584,467</u> |
| Total net assets | <u><u>\$539,521</u></u> | <u><u>\$611,662</u></u> |
| Total liabilities & net assets | <u><u>\$787,212</u></u> | <u><u>\$860,576</u></u> |

(a) *Net Assets* - Net assets, the difference between assets and liabilities.

(b) *Fixed Assets* – Fixed assets are made up of property, buildings, equipment and buses.

(c) *Other Assets* – Other assets consist of cash, investments, receivables and prepaid expenses.

(d) *Liabilities* – Liabilities consist of accounts payable or bills that the Authority owes payment on. Also included are payments due to the State of Michigan for overpayments of state operating assistance.

Changes in Net Assets

The 2008 fiscal year represents BCPT's twenty-fourth year in running the County transit program. The table below summarizes BCPT's operations for the current and prior fiscal years.

| | <u>September 30, 2008</u> | <u>September 30, 2007</u> |
|--|----------------------------------|----------------------------------|
| Revenues: | | |
| Operating revenue: | | |
| Fares | \$467,795 | \$491,196 |
| Total operating revenues | <u>\$467,795</u> | <u>\$491,196</u> |
| Non operating revenues: | | |
| State grants | \$467,726 | \$427,600 |
| Prior year(s) Formula Operating Assistance | 34,104 | 2,601 |
| Federal grants | 200,000 | 187,285 |
| Prior year 5311 Federal grant | - | 5,703 |
| Interest earned | 1,547 | 15,030 |
| RTAP Training Expenses | <u>5,802</u> | <u>1,654</u> |
| Total non operating revenues | <u>\$709,179</u> | <u>\$639,873</u> |
| Total Revenues | <u>\$1,176,974</u> | <u>\$1,131,069</u> |
| Expenses: | | |
| Purchased transportation | \$989,270 | \$840,598 |
| Fuel, Gas and Oil | 231,778 | 131,808 |
| Administration | 66,448 | 74,541 |
| Travel | 1,541 | 867 |
| Training | 1,759 | 783 |
| Vehicle repairs and maintenance | - | 315 |
| Lot repairs and maintenance | 4,570 | 500 |
| Building repairs and maintenance | - | 5,560 |
| Equipment and software | 311 | 4,256 |
| Professional services | 7,384 | 7,018 |
| Insurance | 43,336 | 46,497 |
| Advertising | - | 508 |
| Dues and Fees | 1,275 | 1,379 |
| Other | 7 | 89 |
| Depreciation | <u>5,922</u> | <u>7,349</u> |
| Total Expenses | <u>\$1,353,601</u> | <u>\$1,122,068</u> |
| Net loss before adjustments | \$ (176,627) | \$ 9,001 |
| Total Adjustments | <u>61,632</u> | <u>23,412</u> |
| Net Income(Loss) for the year | <u>\$ (114,995)</u> | <u>\$ 32,413</u> |
| Adjusted Net Assets-Beginning of the year | \$ 611,662 | 579,249 |
| Prior Period Adjustment | <u>42,854</u> | <u>-</u> |
| Total net assets – End of the year | <u>\$ 654,516</u> | <u>\$611,662</u> |

Summary of Operations

1. Budget:

Expenditures

| | <u>MDOT Operating</u> | <u>Audit</u> | <u>Difference Audit vs. Budget</u> |
|-----------|---------------------------|--------------|--|
| 2007-2008 | \$ 1,300,000 | \$ 1,353,601 | \$ 53,601 |

Revenues

| | <u>MDOT Approved</u> | <u>Audit</u> | <u>Difference Audit vs. Budget</u> |
|-----------|--------------------------|--------------|--|
| 2007-2008 | \$ 1,256,000 | \$ 1,238,606 | (\$ 17,394) |

BCPT was over the budgeted amount on expenditures and below the budgeted amount on revenues. The MDOT approved operating budget was not amended during the year.

2. General Report on FY 2008 Operations:

Operation of the BCPT system remained unchanged throughout FY 2008. The Berrien County Board of Commissioners set program policy and direction, approves all expenditures and monitor activities. The Board contracted with Transportation Management, Inc. (TMI) to provide day-to-day operational services. The Board uses a part-time employee to provide oversight services. The County Treasurer provides financial services.

Funding composition for the transit service consists of State, Federal and local dollars. Federal funding decreased to 16.00 % for FY 2008, the State formula operating assistance from MDOT decreased from 38.62% to 36.15%. It is anticipated that State funding will continue to decrease until Michigan's overall economy shows a substantial improvement. State and Federal revenue is targeted at 51.62% (35.62% State & 16% Federal) for FY 2009.

Total ridership was down by 8,753 passengers. This decrease in ridership is considered significant. A major portion of the decrease was again in the general public category. Service provided to human service agencies also showed a decrease this fiscal year by approximately 5% to 78,394.

Total operating expenses were up and revenues were also up. Increased operating expenses were related to primarily to higher fuel costs and an increase in the hourly rate paid to the third party operator. The revenue increase was primarily due a less than anticipated State operating assistance reduction and increased rates for contract rides for the agencies. The total number of days operated decreased from 315 to 284. Vehicle hours operated increased by 2,912 hours and vehicle miles increased by 35,110 miles.

The BCPT system is currently in a financially solid position. Fuel costs and insurance are the main expenses that will need to be closely monitored. The current federal transportation bill has stabilized the federal operating assistance through FY 09. The fare structure should be reviewed and adjusted annually since it is the third primary source of revenue for the system. The level of service required by the human service agencies continues to decline. Since these contracts provide a very significant share of local funding they will have a major impact on continued operation of the transit system.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

January 14, 2009

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of Berrien County
Berrien County Public Transportation
MDOT - Small Bus Program
St. Joseph, Michigan

Dear Commissioners:

We have audited the financial statements of the Berrien County Public Transportation, MDOT - Small Bus Program, as of and for the year ended September 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of Berrien County Public Transportation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berrien County Public Transportation as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion of it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berrien County Public Transportation's financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The additional information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Gerbel & Company, P.C.

Right. On time.

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Statement of Net Assets
September 30, 2008**

Assets

Current Assets

| | |
|----------------------------------|--------------|
| Cash - NOTE 2 | \$ 237,580 |
| Certificates of deposit - NOTE 2 | 391,000 |
| Accounts receivable | 51,241 |
| Due from Federal government | 73,007 |
| Prepaid expenses | <u>6,543</u> |

| | |
|----------------------|-------------------|
| Total Current Assets | <u>\$ 759,371</u> |
|----------------------|-------------------|

Property, Plant, and Equipment - NOTE 4

| | |
|--------------------------|-----------|
| Land improvements | \$ 64,526 |
| Office equipment | 2,743 |
| Transportation equipment | <u>-</u> |

| | |
|--------------------------------|-----------------|
| Less: Accumulated depreciation | <u>(39,428)</u> |
|--------------------------------|-----------------|

| | |
|--------------------------------------|------------------|
| Total Property, Plant, and Equipment | <u>\$ 27,841</u> |
|--------------------------------------|------------------|

| | |
|--------------|-------------------|
| TOTAL ASSETS | <u>\$ 787,212</u> |
|--------------|-------------------|

Liabilities and Net Assets

Current Liabilities

| | |
|--------------------------|---------------|
| Accounts payable | \$ 157,120 |
| Due to State of Michigan | <u>90,571</u> |

| | |
|---------------------------|-------------------|
| Total Current Liabilities | <u>\$ 247,691</u> |
|---------------------------|-------------------|

Net Assets

| | |
|---|----------------|
| Invested in capital assets, net of related debt | \$ 27,841 |
| Unrestricted net assets | <u>511,680</u> |

| | |
|------------------|-------------------|
| Total Net Assets | <u>\$ 539,521</u> |
|------------------|-------------------|

| | |
|----------------------------------|-------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 787,212</u> |
|----------------------------------|-------------------|

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended September 30, 2008**

| | |
|--|--------------------------|
| Operating Revenues - Fares | \$ 467,795 |
| Operating Expenses | <u>1,353,601</u> |
| Net Operating Loss | <u>\$ (885,806)</u> |
| Nonoperating Revenues | |
| Local: | |
| Interest earned | <u>\$ 1,547</u> |
| State: | |
| State of Michigan Grants | |
| Formula Operating Assistance - current year | \$ 467,726 |
| Prior year(s) Formula Operating Assistance | 34,104 |
| RTAP Training Expenses | <u>5,802</u> |
| Total State Revenue | <u>\$ 507,632</u> |
| Federal: | |
| State of Michigan Grants | |
| U.S. DOT Operating Grant - Section 5311 - current year | \$ 200,000 |
| Prior year(s) U.S. DOT Operating Grants | <u>-</u> |
| Total Federal Revenue | <u>\$ 200,000</u> |
| Total Nonoperating Revenues | <u>\$ 709,179</u> |
| Net loss from operations | \$ (176,627) |
| Add (deduct): | |
| Rent | 18,000 |
| Miscellaneous | <u>43,632</u> |
| Net income for the year | <u>\$ (114,995)</u> |
| Net Assets - Beginning of the Year | \$ 611,662 |
| Prior Period Adjustment - NOTE 7 | <u>42,854</u> |
| Adjusted Net Assets - Beginning of the Year | <u>\$ 654,516</u> |
| NET ASSETS - END OF THE YEAR | <u><u>\$ 539,521</u></u> |

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Statement of Cash Flows
For the Year Ended September 30, 2008**

Cash Flows from Operating Activities:

| | |
|---|-----------------|
| Receipts from customers | \$ 537,845 |
| Payments to suppliers of goods and services | (1,273,273) |
| Payments to contracted employees | <u>(35,461)</u> |

Net cash used by operating activities \$ (770,889)

Cash Flows from Noncapital Financing Activities:

| | |
|--|---------------|
| State and Federal operating assistance | \$ 645,647 |
| Rental income | 18,000 |
| Reimbursements | <u>49,434</u> |

Net cash provided by noncapital financing activities \$ 713,081

Cash Flows from Investing Activities:

| | |
|--------------------------------|--------------|
| Purchase of fixed assets | \$ (6,568) |
| Gain from sale of fixed assets | - |
| Interest | <u>1,547</u> |

Net cash provided by investing activities \$ (5,021)

Net change in cash and cash equivalents \$ (62,829)

Cash and cash equivalents at beginning of year 691,409

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$ 628,580**

Reconciliation of operating income to net cash used by operating activities:

| | |
|---|---------------|
| Operating income (loss) | \$ (885,806) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 5,922 |
| Prior Period adjustment | 42,854 |
| (Increase) decrease in: | |
| Accounts receivable | 27,197 |
| Prepaid expenses | 293 |
| Increase (decrease) in: | |
| Accounts payable | <u>38,651</u> |

Net Cash Flows from Operations \$ (770,889)

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Berrien County Public Transportation system is a department of the County of Berrien, Michigan. Berrien County is governed by a Board of Commissioners who contracted with the Michigan Department of Transportation to provide public transportation services in nonurbanized areas. The Board of Commissioners subcontract the operation of the transportation system to a third party and the financial statements include only the operations of that department of the County.

Basis of Presentation

The financial statements of the Berrien County Public Transportation system have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in the United States. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments within the United States. The Department's reporting entity applies all relevant GASB pronouncements and applicable Financial Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

In accordance with GAAP, the Berrien County Public Transportation system operations are accounted for as a Business Type Activity. In this regard, the Berrien County Public Transportation system follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred, irrespective of when paid.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues are fares to passengers. Principle operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

Accounting Pronouncements

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* (GASB). This statement established financial reporting standards for state and local governments including special purpose government such as the Berrien County Public Transportation System. The GASB has followed up on such issues with other related pronouncements designed to clarify the intent of GASB 34.

GASB 34 and its related pronouncements and interpretation require, among other things, that the difference between assets and liabilities be reported as net assets, not equity; that a Management's Discussion and Analysis (MD&A) section precede the financial statements; and that capital assets be capitalized and depreciated over their estimated useful lives.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fixed Assets and Depreciation

Capital assets are defined as major assets with an estimated useful life in excess of three years.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

| | |
|--------------------------|------------|
| Land improvements | 10 years |
| Office equipment | 3-10 years |
| Transportation equipment | 5 years |

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the department considers all short-term investments with an original maturity of three months or less to be cash equivalents. The carrying amounts approximate fair value.

State Operating Assistance Overpayment Payable

Overpayment for the year ended September 30, 2008 was computed as follows:

| | |
|--|---------------------------|
| Operating Expenses | \$ 1,353,601 |
| Less: | |
| Depreciation (except depreciation on locally funded assets of \$233) | (5,689) |
| Ineligible expense - 6.99% of MPTA dues | (89) |
| Other reimbursements | (43,632) |
| RTAP reimbursements | (5,802) |
| Expenses associated with rental property | <u>(4,570)</u> |
| Eligible operating expenses subject to 36.1508% limitation | <u>\$ 1,293,819</u> |
| 36.1508% of eligible operating expenses | \$ 467,726 |
| State revenues - monthly operating assistance received | <u>439,228</u> |
| Difference - state revenue over 36.1508% | <u><u>\$ (28,498)</u></u> |

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Section 5311 Operating Assistance Receivable (Formerly Section 18)

Underpayment for the year ended September 30, 2008 was computed as follows:

| | |
|--|---------------------|
| Operating Expenses | \$ 1,353,601 |
| Less: | |
| Depreciation (except depreciation on locally funded assets of \$233) | (5,689) |
| Audit expense | (5,900) |
| Ineligible expense - 6.99% of MPTA dues | (89) |
| Other reimbursements | (43,632) |
| RTAP reimbursements | (5,802) |
| Expenses associated with rental property | <u>(4,570)</u> |
| Net expenses | <u>\$ 1,287,919</u> |
| Maximum Reimbursements | \$ 200,000 |
| Less progress payments | <u>147,191</u> |
| Difference - 16% exceeds Federal revenues | <u>\$ 52,809</u> |

NOTE 2 - CASH AND INVESTMENTS

Cash and Short-Term Investments - Investment policies for cash and short-term investments as set forth by the Michigan Compiled Laws section 129.91 authorizes the County to invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States, including securities issued or guaranteed by the Government National Mortgage Association, United States government, or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local government units in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund.

Long-Term Investments - The department's investment policy does not address investments other than the short-term investments listed above.

As of September 30, 2008, the department had the following investments and maturities:

| | <u>Fair Market Value</u> | <u>Less Than One Year</u> | <u>One to Three Years</u> | <u>More Than Three Years</u> |
|-------------------------|------------------------------|-------------------------------|-------------------------------|----------------------------------|
| Certificates of Deposit | \$ 391,000 | \$ 391,000 | \$ - | \$ - |
| Money Market | - | - | - | - |
| Corporate Stocks | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Investments | <u>\$ 391,000</u> | <u>\$ 391,000</u> | <u>\$ -</u> | <u>\$ -</u> |

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2008**

NOTE 2 - CASH AND INVESTMENTS - Continued

Credit Risk - Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The department's funds were deposited in two financial institutions that meet these requirements. As of September 30, 2008, the carrying amount of the department's deposits was \$628,580 and the respective bank balance totaled \$611,945. Of the total bank balance, the Federal Deposit Insurance Corporation (FDIC) covered \$53,982.

Custodial Credit - All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Berrien County Treasurer are done on a cash basis. Securities may be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts as determined by the Treasurer.

Concentration of Credit Risk - Financial instruments that potentially subject Berrien County Public Transportation to concentrations of credit risks consist principally of temporary cash investments that may at times exceed the amount insured by the Federal Deposit Insurance Corporation.

NOTE 3 - FUNDING

The total cost of operations for the year amounted to \$1,353,600 which was below the estimated proposed budget of \$1,250,000 by \$103,600. The funding allocations have been made based on the budgeted operating expenses and have been made according to the specifications in the contracts in force during the year. The section 5311 funding was set at 16% of the eligible expenses and the County billing at \$35.10 per hour for each hour of bus service, plus the cost of fuel.

NOTE 4 - CHANGES IN FIXED ASSETS

The following schedule represents the changes in fixed assets of Berrien County Public Transportation for the year ended September 30, 2008:

| | Ending Balance as of <u>September 30, 2007</u> | <u>Additions</u> | <u>Deletions</u> | Ending Balance as of <u>September 30, 2008</u> |
|--------------------------|---|-------------------------|-------------------------|---|
| Land improvements | \$ 58,367 | \$ 6,159 | \$ - | \$ 64,526 |
| Office equipment | 4,660 | 409 | (2,326) | 2,743 |
| Transportation equipment | - | - | - | - |
| Subtotal | \$ 63,027 | \$ 6,568 | \$ (2,326) | \$ 67,269 |
| Accumulated depreciation | (35,832) | (5,922) | 2,326 | (39,428) |
| Net fixed assets | <u>\$ 27,195</u> | <u>\$ 646</u> | <u>\$ -</u> | <u>\$ 27,841</u> |

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2008**

NOTE 5 - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87.

NOTE 6 - NONFINANCIAL DATA

The methodology used for compiling mileage had been received and found to be an adequate and reliable method for recording vehicle mileage.

NOTE 7 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to reclassify Farebox Revenues totaling \$42,854 for period ending September 20, 2007.

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Schedule of Operating Expenses**

| | | | Year Ended September 30, | |
|-----------------------------------|--------------------------|--|-------------------------------------|-------------------------|
| | <u>Operations</u> | <u>General Administration</u> | <u>2008</u> | <u>2007</u> |
| Purchased Transportation Services | \$ 989,270 | \$ - | \$ 989,270 | \$ 840,598 |
| Fuel, Gas and Oil | 231,778 | - | 231,778 | 131,808 |
| Miscellaneous Expense | | | | |
| Administration | - | 66,448 | 66,448 | 74,541 |
| Travel | - | 1,541 | 1,541 | 867 |
| Training | - | 1,759 | 1,759 | 783 |
| Vehicle repairs and maintenance | - | - | - | 315 |
| Lot repairs and maintenance | - | 4,570 | 4,570 | 500 |
| Building repairs and maintenance | - | - | - | 5,560 |
| Equipment and software | - | 311 | 311 | 4,256 |
| Professional services | - | 7,384 | 7,384 | 7,018 |
| Insurance | - | 43,336 | 43,336 | 46,497 |
| Advertising | - | - | - | 508 |
| Dues and fees | - | 1,275 | 1,275 | 1,379 |
| Other | - | 7 | 7 | 89 |
| Depreciation | <u>5,668</u> | <u>254</u> | <u>5,922</u> | <u>7,349</u> |
| TOTAL OPERATING EXPENSES | <u>\$ 1,226,716</u> | <u>\$ 126,885</u> | <u>\$ 1,353,601</u> | <u>\$ 1,122,068</u> |

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Net Eligible Costs Computations of General Operations
September 30, 2008**

| | <u>Federal Section 5311</u> | | <u>Local Operating Assistance</u> | |
|---|-----------------------------|----------------------------|-----------------------------------|----------------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Operating Expenses | | | | |
| Purchased transportation services | \$ 989,270 | \$ 840,598 | \$ 989,270 | \$ 840,598 |
| Fuel, Gas and Oil | 231,778 | 131,808 | 231,778 | 131,808 |
| Miscellaneous Expense: | | | | |
| Administration | 66,448 | 74,541 | 66,448 | 74,541 |
| Travel | 1,541 | 867 | 1,541 | 867 |
| Training | 1,759 | 783 | 1,759 | 783 |
| Vehicle repairs and maintenance | - | 315 | - | 315 |
| Lot repairs and maintenance | 4,570 | 500 | 4,570 | 500 |
| Building repairs and maintenance | - | 5,560 | - | 5,560 |
| Equipment and software | 311 | 4,256 | 311 | 4,256 |
| Professional services | 7,384 | 7,018 | 7,384 | 7,018 |
| Insurance | 43,336 | 46,497 | 43,336 | 46,497 |
| Advertising | - | 508 | - | 508 |
| Dues and fees | 1,275 | 1,379 | 1,275 | 1,379 |
| Other | 7 | 89 | 7 | 89 |
| Depreciation | <u>5,922</u> | <u>7,349</u> | <u>5,922</u> | <u>7,349</u> |
| Total Operating Expenses | <u>\$ 1,353,601</u> | <u>\$ 1,122,068</u> | <u>\$ 1,353,601</u> | <u>\$ 1,122,068</u> |
| Less: Ineligible Expenses | | | | |
| Depreciation - current fiscal year (except depreciation on locally funded assets of \$233) | \$ 5,689 | \$ 6,914 | \$ 5,689 | \$ 6,914 |
| Audit expense | 5,900 | 5,500 | - | - |
| RTAP reimbursements | 5,802 | 1,654 | 5,802 | 1,654 |
| Rental property expense | 4,570 | 6,060 | 4,570 | 6,060 |
| Seminars and other reimbursement | 43,632 | 168 | 43,632 | 168 |
| Portion of association dues | <u>89</u> | <u>97</u> | <u>89</u> | <u>97</u> |
| Total Ineligible Expenses | <u>\$ 65,682</u> | <u>\$ 20,393</u> | <u>\$ 59,782</u> | <u>\$ 14,893</u> |
| Net Eligible Expenses | <u><u>\$ 1,287,919</u></u> | <u><u>\$ 1,101,675</u></u> | <u><u>\$ 1,293,819</u></u> | <u><u>\$ 1,107,175</u></u> |
| State Statutory Operating Assistance: 36.1508% of eligible operating expenses (38.6208% for 2007) | | | <u>\$ 501,830</u> | <u>\$ 427,600</u> |
| Federal Section 5311: 16% of eligible operating expenses | <u>\$ 200,000</u> | <u>\$ 187,285</u> | | |

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT- SMALL BUS PROGRAM
Statement of Local Revenues (Unaudited)
For the Year Ended September 30, 2008**

| | |
|----------------------|-------------------|
| Fares (nonurban) | \$ 467,795 |
| Rent | 18,000 |
| Interest income | 1,547 |
| Miscellaneous | <u>43,632</u> |
| Total local revenues | <u>\$ 530,974</u> |

BERRIEN COUNTY PUBLIC TRANSPORTATION
Expenditures of Federal and State Awards (Unaudited)
For the Year Ended September 30, 2008

| <u>Federal and State Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Grantor No/ Authorization Number</u> | <u>Program Award Amount</u> |
|--|---|--|--|
| <u>U.S. Department of Transportation</u> | | | |
| Passed through Michigan Department of Transportation | | | |
| Operating Assistance - Section 5311 FY 2008 | 20.509 | 2008-0176/Z2 | \$ 209,852 |
| Rural Transit Assistance Program (RTAP) | | N/A | <u>5,802</u> |
| | | | <u>\$ 215,654</u> |
| <u>Michigan Department of Transportation</u> | | | |
| Operating Assistance Nonurban | N/A | N/A | <u>\$ 577,165</u> |
| TOTALS | | | <u><u>\$ 792,819</u></u> |

| <u>Total</u> | <u>Current Year's Expenditures</u> | | <u>Local</u> | <u>Prior Year's Expenditures</u> | <u>Award Amount Remaining</u> |
|-------------------|------------------------------------|-------------------|--------------|----------------------------------|-------------------------------|
| | <u>Federal</u> | <u>State</u> | | | |
| \$ 200,000 | \$ 200,000 | \$ - | \$ - | \$ - | \$ 9,852 |
| 5,802 | 5,802 | - | - | - | - |
| <u>\$ 205,802</u> | <u>\$ 205,802</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,852</u> |
| | | | | | |
| \$ 501,830 | \$ - | \$ 501,830 | \$ - | \$ - | \$ 75,335 |
| <u>\$ 707,632</u> | <u>\$ 205,802</u> | <u>\$ 501,830</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 85,187</u> |

BERRIEN COUNTY PUBLIC TRANSPORTATION
Operating and Contract Expenses (Unaudited)
For the Year Ended September 30, 2008

| <u>Expenses</u> | <u>Urban</u> | <u>Nonurban</u> | <u>Specialized Services</u> | <u>Another Operating Contract</u> | <u>Total</u> |
|------------------------|--------------|-----------------|---------------------------------|---|--------------|
| Labor | \$ - | \$ 685,330 | \$ - | \$ - | \$ 685,330 |
| Fringe Benefits | - | 104,581 | - | - | 104,581 |
| Services | - | 120,974 | - | - | 120,974 |
| Materials and supplies | - | 327,079 | - | - | 327,079 |
| Utilities | - | 34,929 | - | - | 34,929 |
| Insurance | - | 46,754 | - | - | 46,754 |
| Miscellaneous | - | 10,032 | - | - | 10,032 |
| Operating leases | - | 18,000 | - | - | 18,000 |
| Depreciation | - | 5,922 | - | - | 5,922 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | \$ - | \$ 1,353,601 | \$ - | \$ - | \$ 1,353,601 |

BERRIEN COUNTY PUBLIC TRANSPORTATION
Nonurban Regular Service Revenue Report (Unaudited)
For the Year Ended September 30, 2008

| <u>Code</u> | <u>Description</u> | <u>Amount</u> |
|-------------|---------------------------------------|---------------------|
| 401: | Farebox Revenue | |
| 40100 | Passenger Fares | \$ 74,897 |
| 40200 | Contract Fares | 392,898 |
| 407: | NonTrans Revenues | |
| 40720 | Rental of Buildings or Other Property | 18,000 |
| 411: | State Formula and Contracts | |
| 41101 | State Operating Assistance | 501,830 |
| 413: | Federal Contracts | |
| 41302 | Federal Section 5311 | 200,000 |
| 41398 | RTAP | 5,802 |
| 414: | Other Revenue | |
| 41400 | Interest Income | <u>1,547</u> |
| | Total | <u>\$ 1,194,974</u> |

BERRIEN COUNTY PUBLIC TRANSPORTATION
Nonurban Regular Service Expense Report (Unaudited)
For the Year Ended September 30, 2008

| <u>Code</u> | <u>Description</u> | <u>Operations</u> | <u>Maintenance</u> | <u>General Administration</u> | <u>Amount</u> |
|--|--|-------------------|--------------------|-------------------------------|---------------------|
| 501: Labor | | | | | |
| 50101 | Operators' Salaries and Wages | \$ 478,840 | \$ - | \$ - | \$ 478,840 |
| 50102 | Other Salaries and Wages | 13,589 | 78,233 | 32,609 | 124,431 |
| 50103 | Dispatchers' Salaries and Wages | 78,905 | - | - | 78,905 |
| 502: Fringe Benefits | | | | | |
| 50200 | Other Fringe Benefits | 73,877 | 14,551 | 5,625 | 94,053 |
| 503: Services | | | | | |
| 50305 | Audit Costs | - | - | 5,900 | 5,900 |
| 50399 | Other Services | 639 | 24,945 | 89,303 | 114,887 |
| 504: Materials and Supplies | | | | | |
| 50401 | Fuel and Lubricants | 233,753 | 789 | - | 234,542 |
| 50402 | Tires and Tubes | 17,851 | - | - | 17,851 |
| 50499 | Other Materials and Supplies | 68,924 | 6,245 | 3,625 | 78,794 |
| 505: Utilities | | | | | |
| 50500 | Utilities | - | - | 34,765 | 34,765 |
| 506: Insurance | | | | | |
| 50603 | Liability Insurance | 43,336 | - | - | 43,336 |
| 50699 | Other Insurance | - | - | 3,400 | 3,400 |
| 509: Miscellaneous Expenses | | | | | |
| 50902 | Travel, Meetings, and Training | 662 | 544 | 7,487 | 8,693 |
| 50903 | Association Dues and Subscriptions | - | - | 1,275 | 1,275 |
| 50999 | Other Miscellaneous Expenses | - | - | 7 | 7 |
| 512: Operating Leases and Rentals | | | | | |
| 51200 | Operating Leases and Rentals | 18,000 | - | - | 18,000 |
| 513: Depreciation | | | | | |
| 51300 | Depreciation | 5,689 | - | 233 | <u>5,922</u> |
| | Total Expenses | | | | <u>\$ 1,343,601</u> |
| 550: Ineligible Expenses | | | | | |
| 55007 | Ineligible Depreciation | 5,689 | - | - | \$ 5,689 |
| 55008 | Other Ineligible Expenses | 35,657 | - | 7,975 | 43,632 |
| 55009 | Ineligible Percent of Association Dues | - | - | 89 | 89 |
| 560: Ineligible Expenses | | | | | |
| 56004 | Ineligible Expenses Associated with Rental | - | 4,570 | - | 4,570 |
| 574: Ineligible Expenses | | | | | |
| 57402 | Ineligible RTAP | - | - | 5,802 | <u>5,802</u> |
| | Total Ineligible Expenses | | | | <u>\$ 59,782</u> |
| | Total Eligible Expenses | | | | <u>\$ 1,283,819</u> |

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MODT- SMALL BUS PROGRAM
Schedule of Mileage Data (Unaudited)**

| Demand Response | Public Transportation Mileage | |
|-----------------------------------|--------------------------------------|-----------------------|
| | Year Ended | |
| | <u>September 30,</u> | |
| | <u>2008</u> | <u>2007</u> |
| First quarter ended December 31 | 145,958 | 139,500 |
| Second quarter ended March 31 | 134,499 | 130,603 |
| Third quarter ended June 30 | 155,929 | 143,207 |
| Fourth quarter ended September 30 | <u>144,805</u> | <u>132,771</u> |
| | <u><u>581,191</u></u> | <u><u>546,081</u></u> |

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

January 14, 2009

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners of Berrien County
Berrien County Public Transportation
MDOT - Small Bus Program
St. Joseph, Michigan 49085

We have audited the financial statements of Berrien County Public Transportation as of and for the year ended September 30, 2008, which collectively comprise Berrien County Public Transportation's basic financial statements and have issued our report thereon dated January 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Berrien County Public Transportation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berrien County Public Transportation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Berrien County Public Transportation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects Berrien County Public Transportation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Berrien County Public Transportation's financial statements that is more than inconsequential will not be prevented or detected by Berrien County Public Transportation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Berrien County Public Transportation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com 18

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - Continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berrien County Public Transportation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

We noted certain matters that we reported to management of Berrien County Public Transportation, in separate letter dated January 14, 2009.

This report is intended solely for the information and use of management, Board Communications and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Perkel + Company, P.C.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

January 14, 2009

Members of the Berrien County Board of Commissioners
Berrien County Public Transportation
MDOT - Small Bus Program
Berrien County, Michigan

In connection with our examination of the books and records of Berrien County Public Transportation for the year ended September 30, 2008, we offer the following comments and recommendations.

GENERAL

1. Currently Berrien County Public Transportation data is recorded on the year end of the county. We recommend that a system be used to record year-to-date totals of activity that follows the fiscal year of Berrien County Public Transportation. If a separate system is used, that system should be reconciled to the county's books.
2. Upon examining farebox invoices, it was noted that one invoice appeared to double bill a customer, and another invoice showed a payment due date prior to the date that actual service occurred. Care should be taken to ensure that all invoices are properly received before they are submitted for payment.
3. We recommend Berrien County Public Transportation develop a reporting system which will allow for the reporting of revenues and expenses in accordance with state guidelines. In order to accomplish this, the purchased transportation services account should be broken out into accounts established by the Audit Guide for Transportation Authorities.
4. The Organization's administration and accounting personnel displayed a high level of dedication and cooperation in performing their duties and assisting us in completing our work.

We appreciate the courtesy and cooperation extended to us by Berrien County Public Transportation and trust that these comments and suggestions will be received in the spirit of cooperation in which they are offered.

If we can be of any assistance in implementing any of these suggestions, or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,

GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com